FOREIGN AGRICULTURE

Cattle in Australia.

World Beef Trade May Hit New High

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This week's cover:

Cattle return from the Australian Alps before winter covers the high grazing lands with snow. Following 2 difficult years of large production and constricted export opportunities, conditions are improving for Australia's cattle producers, according to article beginning this page.

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Recovering Demand May Lift Beef Trade to Near Record

By FOREIGN COMMODITY ANALYSIS
Dairy, Livestock, and Poultry
Foreign Agricultural Service

EVIDENCE continues to point toward recivery this year in world beef and veal imports, with an outside possibility of that trade hitting a new record if the USSR purchases large quantities on the world market. And since beef production is seen gaining only slightly, improvement is likely in the oversupply situation that has harried major beef trading nations for the past 2 years.

Stepped-up buying by most usual beef markets, including Japan whose imports will rise sharply, is laying the basis for the trade expansion, according to FAS's second quarterly estimate of meat production and trade in major commercial markets.[1] Even more important could be increased imports by the USSR, where distress slaughtering of livestock during the severe 1975 drought will be followed by shortfalls in meat supplies this year.

In fact, the USSR currently is the big unknown in world beef trade, with its imports projected at between 300,000 and 600,000 metric tons, carcass-weight basis,[2] compared with an estimated 200,000 tons in 1975. The lower forecast is now included in FAS's 1976 world beef import estimate of 2.61 million tons, which is 21 percent above the 2.15 million tons of 1975. The higher USSR figure could boost total imports above the 1973 record of 2.8 million tons.

The import gain should aid recovery by exporting nations from the beef and cattle glut that has plagued them recently and already caused some producers to sell off breeding cattle. Such herd culling can be expected to cause a slowing of the rapid buildup of cattle numbers in exporting nations, although herds in several of these nations may remain at record levels.

Other highlights of the production and trade situation include:

- A prospective 100,000-ton jump in Japan's beef and veal imports as a result of static total meat production in Japan during 1976—and reduced output of beef;
- Net imports by the European Community of 50,000 tons—the same as last year's—as large EC stocks of beef surpress trade, despite lower output.
- Moderate import and export gains for the United States and Canada, with their beef production also rising some; and
- A 6 percent, or 370,000 ton, rise in meat production of the major exporting regions—Australia, New Zealand, Central America, Argentina, and Uruguay.

United States. Net beef and veal imports by the United States will probably rise fractionally in 1976 as a result of a 20,000-ton increase in U.S. exports alongside a nearly 40,000 ton gain in imports. The export tally will be boosted to about 40,000 tons as a result of better opportunities in Japan and a return to normal trade with Canada.

U.S. imports of beef and veal in 1976 will be held to 840,000 tons, compared with 803,000 in 1975. Of the total, about 750,000 tons (550,000 tons, product weight) are expected to be subject to the U.S. Meat Import Law. This is the level set by the U.S. State Department in its voluntary restraint program to assure that imports subject to the Meat Import Law will fall below the trigger level for quota imposition.

On the domestic side, heavier slaughter weights are expected to keep U.S. beef and veal production rising in 1976, despite a decline in beginning-year cattle numbers and a prospective slowdown in the rate of slaughter. The estimate for

[1] **See *Foreign Agriculture*, February 2, 1976, for a summary of the first quarterly estimate. Copies of the most recent estimate—World Meat Production Expected To Increase 2 Percent in 1976, FLM 4-76—may be obtained from FAS Information Division, Room 5918-S, USDA, Washington, D.C. 20250.**

[2] **All beef production and trade data are on a carcass-weight basis unless otherwise specified.**

Top left, farmer in New Zealand, where livestock prospects are improving, surveys his Jersey herd. Above, a Matsuzaka beef animal gets its tenderizing ration of beer in Japan, whose beef imports may rebound smartly to offset lower output. Left, Australian cattle in fattening pens.

beef and veal production this year is 11.7 million tons, compared with 11.3 million in 1975. Cattle numbers as of January 1, 1976, were down 3 percent from the previous January's, to 128 million head, in the aftermath of extremely heavy slaughtering last fall.

While slaughter in the first 10 weeks of 1976 hit about 780,000 head per week to approach last fall's record, it is likely to moderate later in the year for an overall gain of only about 1 percent. A key to the final outcome will be cow slaughter.

European Community. Despite an expected decline in output, the European Community is not likely to open its borders to large-scale imports in 1976. Current estimates are that the Community may boost imports some 50,000 tons to 250,000 tons—still far below the record 1973 imports of 985,000 tons.

These 1976 imports are expected to include 55,000 tons of beef free of levy under quotas bound in the General Agreement on Tariffs and Trade (GATT), 20,000 in special quotas for less developed countries, and 120,000 under a new jumelage or linked-sales program.

The last program allows traders to import beef and live slaughter cattle from third countries at reduced levies when they buy an equivalent amount of boned-in or canned beef from EC intervention stocks accumulated through Government price-support buying.

Under this arrangement, the levy on manufacturing beef is only 5 percent of the published levy, but that on live slaughter cattle and other beef products is 40 percent. There is no price advantage to the importer, however, since the reductions in import levies are offset by the higher cost of intervention beef.

During the first 3 months of the linked-sales program, which began in January, the equivalent of 22,000 tons of beef was purchased from intervention stocks to allow an equal amount of imports. Most of the imports under the program are expected to be manufacturing beef because of the reduced levy preference given this type.

EC beef exports this year will be about 55,000 tons below the expected 250,000 tons in imports for a 33 percent increase from 1975 shipments. France is currently negotiating a long-term contract to supply farm products to the USSR, and 50,000 tons of beef are believed to be included in these sales for 1976. France also is expected to supply about 20,000 tons of beef to Egypt under special programs in 1976.

As in the United States, the Community began 1976 with 3 percent fewer cattle (down to 77.1 million head) than at the same time in 1975. The United Kingdom and Ireland accounted for 75 percent of that decline as a result of economic problems, plus a 45 percent lower U.K. dairy support than for other EC nations and the depressed world demand for Irish beef.

The European Community also is anticipating an off year in meat production, with slaughter forecast off 7 percent, and beef and veal production, down to 6.3 million tons.

Meanwhile, some 400,000 tons of beef remain in EC intervention stocks as a reminder of the heavy Government buying during 1974 and 1975, when

producers hurried to unload cattle in the face of an EC (and world) glut of beef.

Japan. This country's seesawing beef trade is once again on an upleg as a result of an anticipated 20 percent drop in domestic output from last year's unusually high level. As a result, Japan will import almost 160,000 tons compared with only 67,000 and 84,000 tons in the previous 2 years. And imports will be back up to around 40 percent of beef consumption, after having dropped from a 1973 high of 45 percent to only 20 percent in 1974 and 1975.

ALTHOUGH Australia will continue to provide most of the imports, more also will come from the United States to satisfy retail and restaurant demand for high-quality beef. These imports of U.S. beef are currently estimated at 27,000 tons compared with 6,750 in 1975.

Also, with beef prices rising in Japan, the high import duty (about $250 per head) on cattle for slaughter may no longer preclude imports of these cattle, which may enter the market if quotas for beef are held too low. In 1975, limited numbers of slaughter cattle were imported from Australia and the United States.

Like the European Community, Japan imposes stringent restrictions on imports of meat—quotas on beef, variable levies on pork, and duties on poultry—changing such restraints as domestic needs dictate. In 1973, for instance, Government programs to decrease the slaughter of beef breeding cattle and dairy calves led to record imports of 194,000 tons. This was followed by heavy slaughter of domestic dairy steers and dairy culls, which pushed beef output up and prompted the Government to suppress imports in 1974 and 1975.

Now the Government is again advocating the retention of dairy calves for feeding and has enlarged its programs aimed at encouraging retention and expansion of beef herds. The Government is currently paying farmers about $13 per head for beef cows held for calving and plans to import beef breeding cattle for Government projects on Hokkaido, the northernmost island.

Domestic beef production, meantime, is seen dropping to 275,000 tons this year from the record 339,000 of 1975.

Canada. Imports of beef and veal into Canada are expected to rise to around 90,000 tons this year from 83,000 in 1975. This gain will be offset, however, by an expected 15,000 ton increase in exports to 35,000 tons.

Imports of frozen, boneless beef—largely from Australia and New Zealand—are estimated at 67,000 tons, compared with 65,000 tons in 1975. Those of fresh and chilled beef—mainly from the United States—are projected at 14,850 tons against 13,500 tons in 1975.

Canadian production of beef and veal is forecast to gain only a slight 1 percent to 1.065 million tons. As in the United States, the level of production will be influenced by feed costs and the composition of cattle slaughter. If the return to greater cattle feeding continues through 1976, resulting in heavier market weights, total beef and veal output could exceed the current forecast.

USSR. Prospective shortages of all categories of meat in the second and third quarters of 1976 could prompt the Soviets to make large imports of beef and veal this year. Current estimates place these imports at 300,000-600,000 tons, with France and Australia the most likely suppliers.

"... the USSR currently is the big unknown in world beef trade, with its imports projected at between 300,000 and 600,000 metric tons, carcass weight basis...."

Domestically, beef production is seen rising some in 1976 due to the mild culling of livestock herds now underway, while production of pork declines and that of poultry holds steady. The USSR's severe drought and consequent grain shortfall last year led to distress slaughtering of hogs and poultry and the current prospect of increased import needs. Hog numbers on State and collective farms, for instance, dropped from 53.7 million head in January 1975 to 41.2 million as of February 1976, but held steady into March, indicating the peak period of distress slaughter has passed.

Australia. Prospects are looking up for Australian cattle producers following 2 difficult years of restricted markets and falling prices. The stronger world import demand should attract larger shipments from this world's largest beef exporter. These shipments should rise by over 100,000 tons in 1976 to around 855,000 tons.

Production may gain by a similar volume, or 5.6 percent, to 1.75 million tons. And—in the wake of heavy slaughtering last year—cattle numbers are seen stabilizing this year at the March 31, 1975, record of 33 million head, with pastures in good shape to handle this large herd.

Market prices have reflected the improvement, recently standing at about double levels of a year earlier, and export prices for beef are also up sharply.

To comply with the United States voluntary restraint program, the Australian Meat Board has agreed to limit exports of meat subject to the U.S. Meat Import Law during December-November 1975/76 to the following levels: March-May, 75,000 tons; June-August, 85,000 tons; and September-November, 56,000 tons. These, plus an estimated 68,000 tons shipped in the first quarter of the year, add up to a full year export of 284,000 tons, compared with 306,000 tons in 1974/75.

New Zealand. Optimism also is up in New Zealand, despite the fact that world cattle numbers are high and its most formidable competitor, Australia, still has a large cattle inventory.

Part of the optimism may be due to the New Zealand Meat Board's new price stabilization scheme for cattle and sheep meats, which was approved by the Government last October. The scheme encompasses guaranteed minimum prices for beef, mutton, and lamb, based on a 3-year moving average of prices.

In addition, domestic prices may be given a boost by the expected 6 percent decline in New Zealand beef and veal production to 475,000 metric tons. This estimate is based in part on an expected lower slaughter offtake in the June-September period.

NEW ZEALAND'S exports of beef and veal in 1976 are also forecast down 5 percent to around 300,000 tons from 316,000 in 1975. Production and exports could go higher, of course, should grazing conditions in New Zealand deteriorate, forcing increased slaughter, or should the U.S. boneless beef market strengthen further.

Central America and the Caribbean. With improved export prices for beef, and cattle in good condition for slaugh-

ter, both beef production and exports are currently heavy in the eight beef-exporting nations of Central America and the Caribbean. Exports from this area are forecast to rise some 10 percent to 135,000 tons in 1976, with most of these shipments moving to the United States.

Beef production likewise will be up in 1976, by about 5 percent to 355,000 tons, and herd numbers should rise slightly following a gain from 13.1 million head to 13.4 million between January 1975 and January 1976.

Mexico. Assuming no unusual weather conditions in 1976, higher U.S. prices for feeder cattle should attract increased Mexican cattle shipments to the United States. Such shipments were off sharply in 1975—to 196,000 head from 434,000 in 1974—as a result of depressed prices in the United States.

MEXICO's beef exports to the United States also are seen recovering from last year's reduced level of 15,000 tons to around 30,000. (Last year's decline in beef exports was even greater than indicated since around two-thirds of the export total was "Maquila" beef from U.S. cattle imported into Mexico for slaughter.)

The export slowdown last year resulted in large quantities of yearlings on pasture in Mexico. These, plus the country's gradually increasing cattle numbers, led to pastures being very heavily stocked.

With an abundance of animals for slaughter—and prices improving—Mexico is expected to boost its production of beef by 7.5 percent in 1976 to 955,000 tons, while its domestic beef consumption rises 6 percent.

Argentina. A projected 8 percent gain in Argentine beef production this year is expected to move largely into export, with shipments likely to rise to 400,000 tons from the 265,000 of 1975. This expansion follows 2 years of unusually small exports as a result of constricted world markets and unfavorable exchange rates.

After holding their animals on pasture through 1974 in anticipation of higher prices, Argentine ranchers last year reacted to high inflation rates and a continuing cost/price squeeze by selling part of their breeding herds. The recent drought in Argentina accentuated the selling pressure, but resulted in somewhat lighter slaughter weights.

The stepped up cattle slaughter caused Argentine beef production last year to rise more than 16 percent to 2.5 million tons. Since exports were off slightly, most of the increase moved into domestic consumption, with the Government reversing its onetime policy of encouraging consumption of meats other than beef. As a result of this change, beef consumption rose to almost 200 pounds per capita, further enlarging the Argentine's position as the world's biggest beef eaters. A further slight gain of about 1 percent is seen for consumption in 1976.

Uruguay. Beef and veal shipments from Uruguay are forecast to rise 40 percent in 1976 to 160,000 tons. In the previous year, shipments fell 5 percent from the 1974 level of 114,000 tons although a turnaround had begun by the end of the year. Uruguay is reported to have already sold about 80,000 tons, mainly for shipment in the first half of 1976.

This export surge is partly a result of heavy cattle sales—including part of the breeding herd—by ranchers discouraged over the low fixed price for cattle and worried that a drought could catch them with heavily stocked pastures. If selling continues, Uruguay's heretofore building cattle herd could be reduced by the end of 1976.

Both cattle slaughter and beef production are forecast to rise 7 percent in 1976, with the latter reaching 375,000 tons. In 1975, slaughter rose 11 percent, but lower slaughter weights held the beef production gain to 6 percent.

If the anticipated production and exports occur, Uruguay's per capita consumption of beef will fall from last year's unusually high level of 188 pounds to around 170. As in Argentina, the Government orchestrates such reductions by banning consumption of beef on certain days, with parallel emphasis on expanded consumption of poultry, pork, and/or seafood.

U.S. Delegate Joins Epizootic Group

After a quarter century as an observer, the United States joined the Office of International Epizootics (OIE) as a full member last year, and in May 1976 will seat its first Permanent Delegate at the body's 44th General Session.

Dr. John M. Hejl of the U.S. Department of Agriculture's Animal and Plant Health Inspection Service (APHIS), who has been named to the new post, will lead a five-man team of APHIS experts to the May 17-22 meetings. Doctor Hejl is Deputy Administrator of APHIS Veterinary Services, long an active force in promoting full official U.S. membership in the OIE.

Among the subjects of discussion listed on the provisional OIE agenda are control of tick-borne diseases such as anaplasmosis, piroplasmosis, and theileriosis and the control of rabies. Another major topic will be how to improve methods to control swine vesicular disease. A study will also be presented detailing the current veterinary practices and control methods now being applied by various member countries.

A major reason for the formation of OIE was the sudden appearance in 1920 of rinderpest in Belgium, following transshipment through the port of Antwerp of Bebu cattle bound from India to Brazil. Possibility that the disease might be transmitted in this manner previously had not been foreseen. Today OIE receives information from many widely separated countries and reports on the presence of rinderpest, foot-and-mouth disease, bovine pleuropneumonia, anthrax, rabies, sheep pox, glanders, dourine, and swine fever, plus seven other animal diseases.

Main functions of OIE are to coordinate research on some livestock diseases and to collect information about and report on animal disease epidemics and on control measures. It also studies international draft agreements about animal sanitary measures and provides to participating countries the means by which they can supervise the pacts' enforcement.

With some 128 million cattle, 55 million hogs, 16 million sheep and goats, 8 million horses and mules, and a huge poultry industry in the United States, it is clearly evident that U.S. farmers have a major stake in the success of OIE's disease-fighting operations.

Evidence of APHIS' importance to U.S. trade is the requirement that all meat and animals being exported from the United States must be accompanied by an APHIS health or meat inspection certificate as proof to importing countries that the animals or products meet certain stated standards.

Netherlands Increases Use Of Nongrain Items in Feed

By ANSEL S. WOOD
Foreign Commodity Analysis, Grain and Feed
Foreign Agricultural Service

NONGRAIN feed ingredients, such as manioc, beet and citrus pulp, molasses, and oilseed meals, have been displacing grains in the preparation of commercial mixed feeds in the Netherlands strongly expanding commercial mixed feed industry in recent years.

A contributing factor to this displacement of grains by other energy and protein sources has been import levies set on grains by the European Community (EC), of which the Netherlands is a member.

Between 1965/66 and 1973/74, mixed feed production in the Netherlands increased by 55 percent—from 6.8 million tons to 10.5 million. But the use of grains in mixed feeds at the end of this period was only 2 percent higher than at the beginning.

This modest increase in grain usage was largely compensated for by a 119 percent increase in nongrain energy ingredients and an 80 percent increase in protein ingredients.

Use of all energy feeds, including grains, increased by 49 percent, compared with an 80 percent gain for protein sources and a 55 percent gain in total output.

The relation of these increases indicates a shift in emphasis from grains to cheaper (and lower protein) energy sources and an increase in protein feeds, thus maintaining nutrient requirements in the balanced rations manufactured.

Grain production in the Netherlands is limited by the country's small area, and because intensive livestock production operations occupy a major position in the country's agricultural economy, most concentrate feeds are necessarily imported.

Practically all livestock feeds are processed at commercial feed-mixing plants, and this output represents essentially the total amount of feed consumed in the Netherlands.

The major shift away from use of grains occurred in 1968/69. In that year, grains were replaced mainly by medium-protein field beans and peas, corn gluten feed, and grass and legume meals, as well as animal protein feeds and low-protein manioc and beet pulp.

In the next 2 years, soybean meal made the biggest gains relative to energy feeds. Other oilseed meals—largely copra—gained strongly in 1970/71, displacing beans and peas, and in 1971/72 displacing grains.

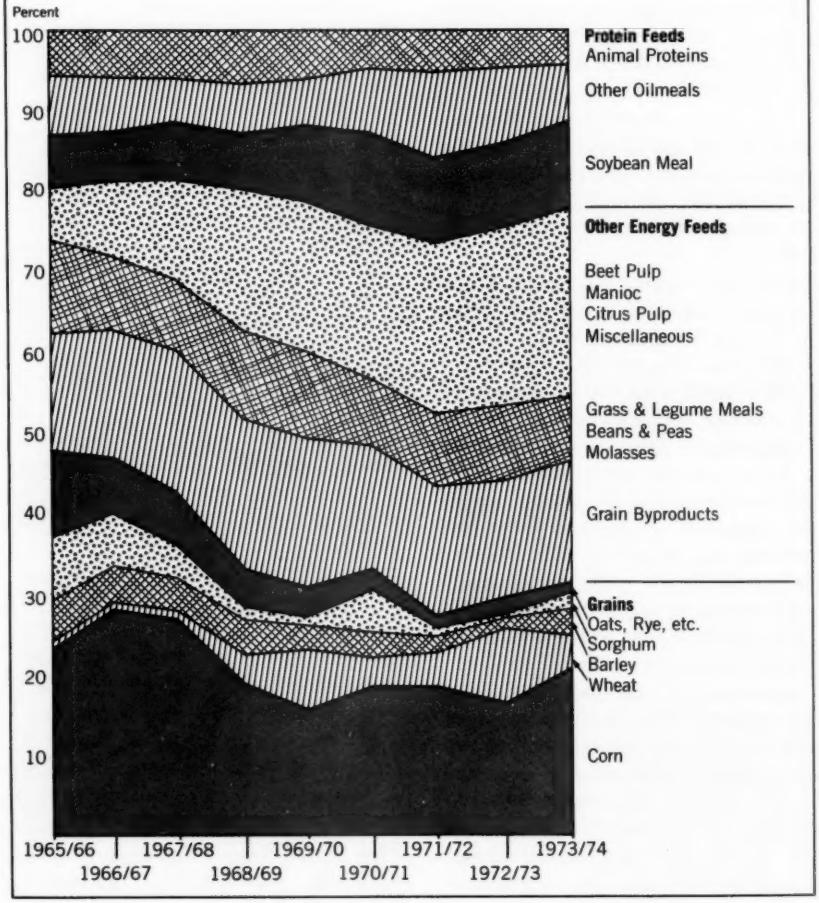
Because oilseed meals are relatively high in energy, they are able to compete to some extent with grains in terms of energy as well as to replace the proteins that grains supply. The competition with grain would apply especially to copra meal, which is a relatively low-protein oilseed meal.

While the use of grains continued at about the same absolute level over the 9 years, their proportionate use in rations declined. They constituted 49 percent of the total in 1965/66 and only 32 percent in 1973/74—about a third lower.

Corn, as the principal grain, increased moderately in quantity although it lost about 10 percent in relation to the total production. Barley about held its own, as did sorghum—although erratically.

The use of wheat in feeds was insignificant at the beginning of the period, but it was later introduced on a substantial—although variable—basis. The feeding of such staples as oats and rye de-

NETHERLANDS: PERCENTAGES OF INGREDIENTS IN MIXED FEEDS, 1965/66 TO 1973/74



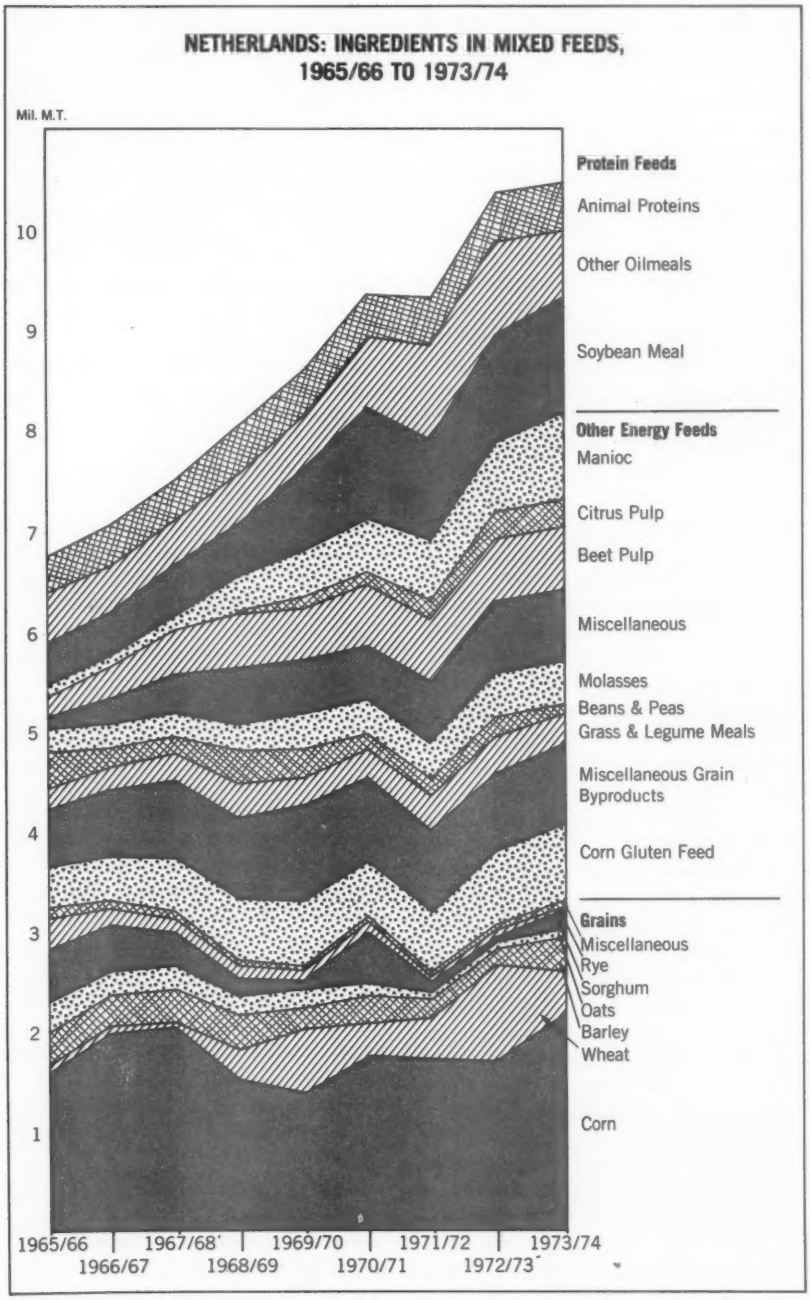
clined, as production fell off in competition with more efficient providers of energy.

While grain usage stood still, the use of other energy sources more than doubled—to more than 4.9 million tons in 1973/74. They made up 46 percent of the total mix in that year. The use of grain byproducts followed the gain in mixed feed output—14.3 percent in 1965/66 and 15.1 percent at the end of the period.

Quantitatively, use of corn gluten feed—a medium-protein source (25 percent)—gained steadily and about doubled. The medium-protein grass and legume meals (18 percent protein) and field beans and peas (23 percent) maintained fairly steady utilization.

Use of cheap, low-protein, energy feeds burgeoned. Citrus pulp was a newcomer on the scene, its use increasing to nearly 300,000 tons.

Molasses consumption doubled, that of beet pulp nearly tripled, and manioc use increased about eight times. These feeds constituted 8 percent of total ration output in 1965/66 and rose to a sizable 21 percent in 1973/74.



The utilization of protein feeds increased absolutely as well as proportionately to make up for the loss of proteins from grains. The use of animal proteins gained moderately but lost position proportionately.

Consumption of oilseed meals doubled over the 9-year period and rose from 13.4 percent of the total to 17.2 percent. Soybean meal was the big gainer—by 168 percent on an absolute basis (from 427,000 tons to 1.1 million) and from 6.3 percent of the total production to 10.9 percent.

Soybean meal use jumped sharply in 1969/70 and 1970/71, constituting 11.7 percent of the Dutch feed ration in the latter year.

The proportions of mixed feed production by species of livestock could have had little effect on nutrient requirements, since there were only minor variations as between species. The greatest variation was an increase in cattle feed production of 3.8 percentage points between 1971/72 and 1973/74, while the percentage of swine and poultry feeds declined 1.7 and 1.8 percent, respectively.

During these 2 years, soybean meal use held steady (despite supply stringencies) but use of other oilmeals declined —largely because of the unavailability of meal. At the same time, utilization of grains rose 4 percentage points in the total ration as other energy feeds held even. The increased grain use was apparently a response to the expanded requirements for cattle under the circumstances of the market in 1972/73 and 1973/74.

Most of the Netherlands feedstuffs, including grains, come from the import market. In 1965/66, the Netherlands grain production (including wheat) was 1.77 million tons, which was just half the amount of grains fed to livestock. By 1973/74, grain production, at 1.36 million tons, was only 40 percent of the amount fed.

Substantial amounts of domestic grains are used for food and industrial purposes. Hence, a preponderance of grains fed must depend on the world market, as is true of most other feedstuffs used in the Netherlands.

Practically all of the Netherlands con-

Continued on page 12

Improved Prospects Noted For U.S. Cotton in Far East

By DUDLEY G. WILLIAMS
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A U.S. COTTON TRADE mission[1] that returned in late March from a trip to Japan, Korea, and Hong Kong found prospects for exports of American cotton to those markets next season (ending July 31, 1977) much brighter than in the current season.

This improvement is expected to follow on the heels of U.S. cotton's relatively poor showing this season, when the United States will do well to capture a third of the roughly 5-million-bale aggregate three-country market—compared with 40 percent in 1974/75. The drop reflects an overall decline in import needs as a result of the worldwide recession that prevailed during 1974 and most of 1975 and which severely curtailed demand for textiles.

However, the U.S. share suffered disproportionately, reflecting price differentials of nearly 15 cents a pound at times favoring competing growths as heavy stock accumulations were unloaded by other exporting countries. Price disadvantages for U.S. cotton were accentuated by higher freight rates on cotton shipments from the United States, compared with rates from other cotton producing and exporting countries.

Circumstances are now swinging back in favor of U.S. cotton and, despite some lingering uncertainties about the speed and degree of recovery in the countries visited, the United States is expected to regain a sizable share of those markets in 1976/77, with actual levels depending on the volume of textile activity in each country.

[1] **Members of the mission were Peter Kandel (team leader), H. Molsen and Company, and Kenneth Weatherford, Weil Brothers, representing the American Cotton Shippers Association; C. L. Boggs, Plains Cotton Cooperative, representing AMCOT; Hoke Leggett, chairman, and Herman Propst, vice chairman, Producer Steering Committee, National Cotton Council, representing cotton producers; Donald Conlin, World Trade Associates, Inc., representing the New York Cotton Exchange; David Hull, executive director, Cotton Council International; and the author.**

While the general economies have definitely turned around and are now in the initial phase of recovery, the degree of activity varies from country to country, with the weakest recovery thus far registered in Japan and the strongest performance noted in Hong Kong, which suffered relatively less from the recessionary effects. Korea falls somewhere in between the other two in terms of recovery strength.

Despite the turnaround, certain vague and pessimistic signs persist. Even though current market conditions have bullish implications (in terms of worldwide export availabilities and potential availabilities of cotton based on prospective plantings in producing and exporting countries and stocks and forward coverage equal to only 3-5 months in cotton importing countries), cotton futures in recent weeks, while maintaining a generally firm undertone, seldom broke 60 cents until the April 15 USDA planting-intentions announcement.

This somewhat contrary reaction to what might normally be expected under bullish circumstances reflects the effects of lingering uncertainty and probably stems to a large degree from continuing caution on the part of the consuming public, still sensitive to the recent recession.

This consumer wariness generates careful decisionmaking on the part of the textile manufacturers in many countries of the Far East.

Stocks of textiles that had been worked down from the heavy levels at the height of the recession are again on the rise, especially in Japan and Hong Kong.

Currently, there are no Japanese mills operating full time—i.e., 24 hours a day, 7 days a week. Approximately 80 percent of the mills are working three shifts a day, 6 days a week, and 20 percent are operating five 24-hour days per week.

Japanese spinners report that they are still producing yarn at well below the break-even point—considering the price of raw cotton—with little relief expected before the second half of 1976.

Yarn prices reportedly have strengthened 12 percent since the beginning of the recovery, but this increase has been overshadowed by a 25 percent rise in the delivered price of raw cotton.

Spinners in Japan also complain that the slightest sign of improvement in domestic textile demand and prices spurs even heavier textile imports from neighboring countries where production costs are lower and where average textile wage rates in some cases are $2 or less per day compared with $25 a day in Japan. Thus, any benefits to the Japanese industry are negated.

While there is a tariff on such imports into Japan, spinners point out that it has not been sufficient to restrict imports, and industry pressures for more restrictive controls have thus far been rejected by the Japanese Government.

In contrast to Japan, mills in both Korea and Hong Kong are operating around the clock and while Korean mills also continue to operate at a loss, margins are improving.

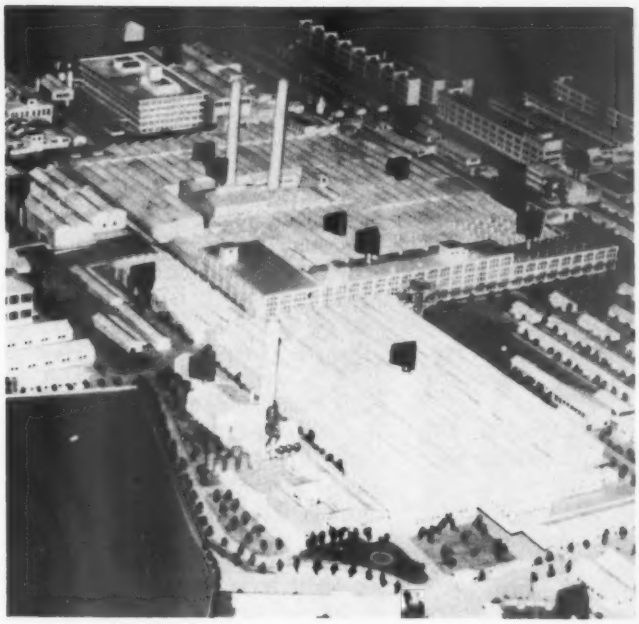
Hong Kong mills are operating in the black, and hope for improved profit margins later in the year.

FOLLOWING setbacks over the past 2 years, the Korean textile industry is now planning to move forward again with expansion plans. Presently, the 16 member mills of the Spinners and Weavers Association of Korea (SWAK) have nearly 2 million operable spindles, with another 200,000 installed in nonmember mills.

By the end of 1976, more than 2.1 million spindles should be in place in member mills and 3.8 million are planned by 1980. This could mean an escalation in total cotton import requirements from the current level of nearly 1 million bales annually to roughly 2 million bales by 1980. Japan has just under 9.5 million spindles and Hong Kong has 825,000 in place.

In an effort to offset rising and noncompetitive labor costs, open-end spinning is increasing in Japan and Hong Kong, whereas, in Korea—where labor costs are equivalent to about $2 a day—open-end spinning is hardly used and for all practical purposes ring spindles are still employed.

Even in Japan and Hong Kong, the use of open-end spinning has certain technical limitations. For example, open-end spinning is designed for lower count yarns—20's and under—and is concen-



Above: Scale model of the giant manufacturing complex of Kanebo, Ltd., established in 1887 in Osaka and currently employing about 20,000 workers in the production of cotton yarns and fabrics and other items. Top, right: U.S. trade team meets with members of the Japan Spinners' Association; right: Trade team members confer with representatives of the Hong Kong Spinners' Association. Most Japanese mills are working 24 hours a day, 6 days a week; those in Hong Kong and Korea are operating around the clock.

trated heavily on 7's to 16's and, as a country moves to higher counts for competitive or other reasons, open-end spindles become increasingly unsuitable.

In any case, the overall use of cotton in Japan and Hong Kong is not likely to expand dramatically over the next few years, with Japan continuing to use 3-3.5 million bales in most years and Hong Kong using 1-1.2 million bales annually.

One effort to keep up the presence of U.S. cotton is the active market-development programs in the three countries supported by the Foreign Agricultural Service of the U.S. Department of Agriculture in cooperation with local industry groups and firms in those countries.

Also, the International Institute for Cotton, a multinational intergovernmental organization made up of nine cotton-producing countries including the United States, is actively promoting the use of cotton in Japan from all origins in an effort to stem the advance of manmade fibers into the traditional cotton markets and to gain a larger share of the total fibers market.

These efforts are critical in the battle to keep cotton strongly present in the marketplace. However, much more market development and promotion is needed and much more could be effectively done if adequate funds were available.

All organizations involved in developing and expanding markets for cotton have operated on relatively fixed budgets over the past several years and have seen their buying power eroded by inflation to the point where today's available market development funds buy only 30 percent of what the same level of funds bought in 1967.

The funds crunch comes at a time when synthetics make up roughly a third of the total fibers being used on the cotton spinning system in all three countries, and pressure could mount to increase the ratio of synthetics to cotton if current price advantages for synthetic fibers widen.

Polyester is selling at the equivalent of 50 U.S. cents a pound domestically in Japan and 45 cents for export.

Korean mills are paying about 50 cents for domestically produced polyester, and Hong Kong mills about 45 cents.

In comparison, the delivered price of U.S. SM 1-1/16 inches cotton would run about 68 cents a pound in each of the three countries. As the waste factor is less for synthetic compared to cotton, the price advantage of synthetics becomes even greater than the above prices indicate.

The fact that there still are a number of somewhat negative implications in the background is far outweighed by the positive forces at work for U.S. cotton and cotton as a whole.

These positive forces include:

- Market development efforts for cotton are paying off as evidenced by the current fashion swing to more comfortable natural fibers, and cotton mills are responding to this swing;
- Cotton stocks are low in importing countries and with the increasing demand, buying momentum should accelerate as the year progresses;
- For the most part, remaining world exportable supplies of cotton are now in the United States;
- Headway is being made by the U.S. cotton industry and related Government and non-Government groups in efforts to improve the image of U.S. cotton through better packaging, conditioning,

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Abundant World Grain Crop In Prospect for 1976/77

MUCH ENLARGED world grain supplies are now in prospect for the 1976/77 season, according to USDA's most recent report on the world grain situation.[1]

That report foresees world grain production (all grains but rice) rising 10 percent from the 1975/76 level to nearly 1,080 million metric tons during 1976/77 as both planted area and yields increase. Grain usage is seen gaining also, but not enough to forestall recovery of reserves and working stocks, which have been depleted in some countries recently.

Grain imports, on the other hand, are expected to decline by almost 10 percent to about 142 million tons as a result of slackened demand from some of the major importers—especially the USSR and the European Community.

Grain area. A surprisingly large increase is now expected in grain area for 1976. Reports thus far indicate an increase of 4-5 million hectares, enough to account for about 7-8 million tons of production (1 ha=2.471 acres).

In some areas, such as North America and Brazil, a portion of the anticipated increase in grain plantings is due to shift from other crops that have recently experienced price weakness. The current projected global total of almost 590 million hectares for all grains for 1976 would be about 22 million above area in both 1973 and 1974, and compares with a pre-1973 high of 561 million hectares reached in 1968.

For 1976, increases are expected mainly for Brazil and several major foreign exporting countries. On the assumption that more USSR grain land will be put in fallow, as was the case in 1966 following the two poor crops of 1963 and 1965, a significant decline in area is projected for the USSR. If this does not materialize, the global increase in grain area could be around 8-9 million hectares.

Yields. In the Northern Hemisphere, conditions for winter grains last fall and winter ranged mostly from average to excellent, and this spring, with very few exceptions, conditions are reported as normal or above, both for the winter crops and for the planting of spring-sown crops. Fertilizer supplies are markedly improved from those of a year ago, especially in the United States and Western Europe.

The worldwide yield for grain in 1976 is projected at 1.82 metric tons per hectare. This would equal the 1973 record, and would be well above last year's, which was the lowest since 1970. The 1.82 level represents a composite of forecasts for individual countries as of mid-April.

Production. Several factors favoring larger output are believed likely to coincide this year to bring the expected 10 percent jump in world grain production.

While the gain is exaggerated somewhat by the lackluster showing of 1975—considered to be a substandard weather year—it is still significant: only 2 years out of the past 15 have seen such large increases in a single year. These were 1966 and 1975, when gains of about 10 percent followed on the heels of exceptionally large drawdowns in global stock levels in the previous season.

Contributing to the rebound, Government-sponsored price guarantees have been raised rather sharply in many countries. EC protective threshold prices, for instance, are up about $15 per ton for most grains this year, or well above the annual average increase since the Community's Common Agricultural Policy was introduced. Canada's initial payment guarantee for wheat was raised from $2.25 to $3 per bushel, the first increase in 3 years. In Argentina, the Government recently boosted the corn support price by about 50 percent, and in Brazil, the corn support is up 22 percent from the 1975 level.

Consumption. Given a substantially improved supply, global utilization of grain in 1976/77 can be expected to rise by around 5 percent from the depressed levels of the past 2 years. In these years, grain use has been curtailed by unexpectedly poor harvests and unusually depressed general economic conditions, particularly in countries with relatively large feed use.

About half the increase will be in the USSR as that nation's usage rebounds from the 20-percent reduced level of 1975/76. Another 12 percent increase is seen for the United States, with even this leaving total U.S. grain consumption about 10 percent below that of the early 1970's. And Western Europe is expected to have its largest increase in feed use in 3 years.

Supply. Carry-in stocks of grain in 1975/76 were the lowest in over 20 years, contributing to a total supply that year of 1,085 million tons—the smallest since 1971/72. Despite another small decline in carry-in stocks, the supply situation should improve markedly in 1976/77 as a result of the projected record crop. Currently, these supplies are estimated at about 1,180 million tons, well above the previous high of 1,142 million in 1973/74.

As a result of this gain, the 1976/77 season may witness the largest net increase in stock levels since the huge gain of 30 million tons in 1968/69. Although it is still too early to forecast with any accuracy the eventual stock levels, the current grain projections indicate that a net change of over 40 million tons could occur. Much of the buildup is seen taking place in the USSR as it replaces grain reserves depleted during its severe drought of 1975.

Situation in major producers. Among the main foreign exporting or "competitor" countries, 1976 promises to be a year of expansion in total grain production. Barring some unusually poor weather, their increased crops should enable a sizable rebuilding of depleted reserve stock levels in 1976/77.

FOR EXAMPLE, total wheat stocks at the end of the 1975/76 marketing year in Canada, Australia, and Argentina are now expected to be the lowest in over 20 years. But if importers' crops measure up to current expectations, total world import demand will be down somewhat, and exports of wheat by these three countries could decline by 2-3 million tons. This would enable approximately a 3-million-ton buildup in their wheat stocks by mid-1977.

For feedgrains, a somewhat parallel situation exists. Ending stocks of the major feedgrains in Argentina, South Africa, Australia, Canada, and Thailand

[1] ***World Grain Situation: Review and Outlook*, FG 6-76. Copies may be obtained from room 5918-S, U.S. Department of Agriculture, Washington, D.C. 20250.**

will total only about 5 million tons this year, the lowest since 1968. In the case of feedgrains, however, only a small buildup is foreseen for these countries during the year ahead, mainly because Canada and Australia are expected to have somewhat smaller feedgrain crops.

In Western Europe, good crops are in prospect owing mainly to unusually favorable conditions last fall and winter for the important winter grains. Certain areas, especially in the United Kingdom, were quite dry as of late April, but major losses there could yet be averted by rains in coming weeks. A significant decline in corn area is expected in France, but this will be more than offset by increases in total plantings of other grains in both France and other parts of Western Europe.

New internal price relationships in the EC between wheat and other grains are expected to cause a sharp increase in quantity of wheat fed to livestock. However, the prospective record wheat crop points toward continuing large exports, possibly somewhat higher than in 1975/76, and also toward a small net increase in stocks by mid-1977.

In turn, the combined effect of a much larger total grain crop and greater feed use of wheat will probably mean decreased imports of coarse grains for animal feeding. Corn and sorghum would both be affected by this decline, although the reduction will likely be relatively greater for sorghum since EC sorghum imports were an unusually high 2 million tons in 1975/76.

In the USSR, the official "plan" level for 1976 USSR grain production is about 205 million tons. Although a published breakdown is not available, this target is thought to include about 95 million tons of wheat, around 98 million of coarse grains (including millet), and 12 million of rice, pulses, and other items covered by the normal Soviet classification of grains. The 205 million tons, which is down some from the 1975-crop plan of 215 million, is believed to represent the outturn level that might result from "normal" weather.

Winter grain seedings in the USSR were an unusually large 36 million hectares. However, moisture conditions were poor in some areas and losses due to winterkill were believed somewhat higher than normal. Total Soviet grain area seems likely to be down somewhat this year, reflecting a need to retain slightly larger areas in fallow.

More recently, moisture conditions reportedly have been about normal in the important Ukraine area, but significantly below par in the Southeastern region of European USSR and the Central Black Soil zone. On the other hand, moisture conditions in the New Lands area, where spring wheat is produced, were comparatively favorable as of mid-April.

Many of the other foreign areas expect unusually large crops.

A major expansionary phase in grain production is now underway in Brazil, whose total grain acreage is up 16 percent from last year's and is expected to show another sharp rise in 1977. Large price support increases here have encouraged expansion, which is seen boosting corn exports sharply while cutting wheat imports well below the record 4 million tons expected to be imported in 1976.

Above-average crops are tentatively forecast for North Africa, the Mediterranean regions, and the Indian Subcontinent. Winter grains account for much of the total grain (excluding rice) harvested in these areas. These harvests, along with the May-June harvests of winter wheat in the People's Republic of China (PRC), Mexico, and southern United States, comprise the earliest major part of the world grain crop.

Outlook by commodity. With increased area and improved yields combining to boost output, the world wheat crop in 1976/77 may hit a new record of 385 million metric tons. This would be the largest crop since the 368 million tons produced in 1973/74 and 11 percent above that of 1975/76.

This gain should be enough to permit a substantial net increase in reserve stocks of wheat by mid-1977. Given a likely decline in foreign demand, carryover stocks in major competitor countries might rise by at least 3 million tons, while gains are also seen for the USSR and the United States.

Conversely, trade in wheat will probably fall in 1976/77, with the final outcome depending heavily on imports by the USSR. Tentatively, a decline of about 5 million tons in USSR wheat imports is seen, while purchases by other importers may rise 1 million tons. Imports by the PRC are projected to remain at unusually low levels for the second straight year.

The coming year will also probably see the first sizable increase in total wheat utilization since 1972/73. Usage of wheat for human food has been rising steadily in recent years, but this has been more than offset by reductions in usage for animal feed—first mainly in Europe and North America as a result of higher world wheat prices and then in the USSR as a result of its poor 1975 wheat crop. During 1976/77 feed usage in both Western Europe and the USSR is seen rising sharply, while improved crops boost food usage in many less developed nations.

For coarse grains, world production is forecast at 694 million tons in 1976/77, or 8 percent above the 638 million of 1975/76 and another new record. As with wheat, this will lead to increased stocks, forecast to rise by some 20 million tons to 71 million by the beginning of 1977/78; expanded usage; and reduced trade.

CURRENT projections of imports suggest a 10 percent decline from the current season's record 82 million tons. The USSR's imports are seen declining to 6.5 million tons, or less than half the 14.3 million currently estimated for 1975/76. Western Europe may take 2.5 million tons less than the 26.6 million of 1975/76 as a result of the new EC grain prices with their impetus to usage of domestically produced grains. Increased domestic production could reduce East European imports by 500,000 tons, while a good crop and near-record carry-in stocks also will depress Mexican feedgrain imports.

On the other hand, Japan is seen buying 400,000 tons more than in 1975/76 as its livestock feeding begins to recover from recent low levels. And other feedgrain importers, together accounting for over 20 percent of world feedgrain trade, are seen boosting their combined imports by 2 million tons. Included in this group are Taiwan, Israel, and Korea.

U.S. feedgrain exports in 1976/77 are projected at about 38 million tons, or 15 percent below the estimated 1975/76 shipments.

Feedgrain export availabilities outside the United States are projected at slightly below the current season's level of almost 28 million tons (excluding intra-EC trade). Reduced harvests this March-May will cut shipments from Argentina and South Africa by some 1.5 million tons, combined. But Brazil could export 3 million tons, or double the 1975/76 level.

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U.S. Cotton in Far East

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and presentation, including wider use of the universal density bale and new packaging materials.

• The revival in cotton futures trading interest should result in expanded futures trading, thus easing the impact of wide swings to which cotton prices are now subject and improving cotton's competitive position relative to synthetics for which price stability has long been a principal selling point.

On balance, both short-term and longer term prospects for U.S. cotton are good in all three countries visited. However, to exploit fully the potentials of these markets, expanded promotion and selling efforts will be required.

In 1975/76 Korea will surpass Japan as the leading customer for U.S. cotton, reflecting reduced U.S. exports to Japan in 1975/76. However, with the planned spindleage expansion, Korea, despite some efforts to diversify sources of supply, is expected to be consistently the foremost U.S. customer within a short time, provided CCC credit and other forms of credit assistance continue.

Although dramatic cotton consumption expansion is not expected for Japan and Hong Kong, these countries nevertheless will remain extremely important but tough markets, with 40 or more sources of cotton supply in most years.

Therefore, the United States must push even harder, including an objective assessment and necessary corrective followup on freight rate disparities that work to the disadvantage of U.S. cotton in most Far Eastern markets if it is to regain and maintain—for example—a third of the Japanese market and 40 percent of the Hong Kong market.

Continued Export-Import Bank credits will help U.S. cotton keep a meaningful presence in Japan. Conventional credit is more readily available and less expensive in Hong Kong and special credit programs are therefore less an incentive for buying U.S. cotton.

The most important consideration in Japan and Hong Kong and to an increasing extent in Korea is the ability of the U.S. trade to "out merchandise" the tough competition.

Netherlands Feed Use

Continued from page 7

centrate feeds are processed in mixed-feed plants. Since most of the ingredients are imported, they are largely in a position convenient for milling near the ports. Most of the feed plants belong to farmer cooperatives, distances are relatively small, and there is very little home-mixing.

The Netherlands is perhaps unique in that the ingredients that go into mixed feed represent essentially the total amount actually fed. Also, since the ingredients are mostly imported, the mix is essentially the result of economics of the world market, and not of on-farm location or home production.

Grains imported into the Netherlands and other EC countries from non-EC countries are subject to levies that reflect the difference between the world market and the EC threshold price. Other feedstuffs can enter with little or no duty or levy.

As a result, if the price difference between grain and soybean meal in combination with the low-protein feeds (manioc, beet and citrus pulp, and molasses) is small enough, the latter can compete with the energy and protein provided by grains.

Apparently, the burden of import levies has caused a substantial quantity of grains to be displaced in the Netherlands by other sources of energy and protein.

*U.S. GOVERNMENT PRINTING OFFICE: 1976 211-407/43 1-3